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Advertising Age

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Midweek News Summary

Dataproducts Corp., which claims to be the largest independent manufacturer of computer printers in the world, plans to shift its emphasis from manufacturing for other companies to marketing printers carrying its own name. *See Page 2.*

The National Assn. of Broadcasters for the first time is using a satellite feed to 700 tv stations to transmit public service announcements that caution against drinking and driving. *See Page 2.*

Campbell Soup Co. expects to remain the leader in the condensed-soup market with the help of a new spokesman—the former "world's fastest waiter." *See Page 2.*

Bozell & Jacobs, in a major upheaval only partly of its own doing, lost its top executive and two of its top creative talents in Minneapolis. *See Page 3.*

Marketers of French champagnes, those esoteric bubblies that cost more and supposedly taste better, this year are having their corks popped by more than the tuxedo set. *See Page 3.*

The overwhelming success of the cuddly, pudgy-faced Cabbage Patch dolls has produced another entry in the licensing bonanza: Cabbage Patch Kids all-natural vitamins. *See Page 3.*

The Movie Channel pay tv service will begin its first national consumer campaign in February to distinguish itself as the only pay channel that shows only movies. *See Page 3.*

Michael Omansky, RCA Records' director of marketing since spring, has a background in package goods, so it seemed inevitable that he would try some tricks of that trade on record buyers. *See Page 40.*

DIRECT MARKETING

The demand for direct-response space ads is making a comeback in the first quarter of 1985 after falling off sharply in the second half of this year, according to magazines and mail-order distributors. *See Page 6.*

The Scanticon-Princeton Executive Conference Center and Hotel turned to direct marketing to help fill the center during the normally slow months of December through March. *See Page 6.*

AT&T scatters ad plans

By VERNE GAY

NEW YORK—AT&T, convinced it has spent enough ad money in network news explaining the impact of telephone deregulation, reportedly is trying to shift as much as $5 million in first-quarter money out of news and into prime time and sports.

The AT&T request for relief would have to be approved by the networks. If approved, the move could have a significant impact on the first-quarter network scatter market, making available scatter news inventory in what had been a virtually sold-out daypart. At the same time, the spending shift once again could rewrite the list of the biggest spenders in network news. At about $12 million, AT&T this year is network news' largest single advertiser, according to one estimate. A few years ago, laxatives and pharmaceuticals dominated the daypart.

Benton & Bowles senior vp-national broadcast and programing Irwin Gotlieb predicts the total news marketplace in 1985 will be $475.1 million. It was $350 million only three years ago. The B&B forecasts do not include morning or overnight newscasts.

"I don't think they [AT&T] are cutting back dollars," said a source. "They are no longer explaining divestiture so that maybe news is not the best place to tell their story." D'Arcy MacManus Masius handles that portion of the AT&T business. Ray McArdle, senior vp-media director at DMM, said, "We have no knowledge this [shift from news] would happen. We are working on our 1985 plans right now."

While first-quarter scatter activity is brisk in news and daytime, the prime time scatter market is very sluggish, according to sources. However, Louis Schultz, exec vp-director of media at Campbell-Ewald, Warren, Mich., said at least two networks were giving football makegoods in prime time. Those makegoods should eat up some scatter inventory and help maintain pricing strength for the remaining prime time scatter inventory.

"Prime is the slowest of the three dayparts," said B&B's Mr. Gotlieb. "NBC is out of the market, basically [for daytime]. ABC has a lot of inventory and CBS has a little." He estimates that before makegoods are reexpressed at ABC, the network has between 25% and 27% of its inventory available.

The three-network first-quarter scatter prob-

(Continued on Page 42)

All-Bran ads garner praise of FTC exec

By STEVEN W. COLFORD

WASHINGTON—Kellogg Co.'s controversial All-Bran campaign, the target of review at two federal agencies, was held up as an industry exemplar this week by a Federal Trade Commission official who said it was the kind of information vehicle the agency wants to encourage.

By issuing such a ringing endorsement, Carol Crawford, director of the FTC's bureau of consumer protection, may have provided Kellogg and the advertising industry with a catalyst for expanded promotion of foods on the basis of their medical or health benefits.

Still to be heard from, however, is the Food & Drug Administration, where commissioner Frank Young must determine whether All-Bran's medical claim that—as a high-fiber product, its consumption can help prevent cancer—converted a cereal into a drug, based on the FDA's statutes.

Mr. Young's more cautious attitude toward Kellogg's All-Bran claims reflects a concern for the "larger issue" of food promotions with a medical claim, according to an FDA spokesman. That extra helping of caution may manifest itself in an FDA request for a food industry moratorium on promotions with medical claims (AA, Dec. 3).

But at least for the time being, Kellogg and the National Cancer Institute, which cooperated in the development of the All-Bran ads, got a big reward for their advertising bravery.

A Kellogg spokesman said the company is "pleased with the FTC statements." The spokesman declined to speculate on what affect the FTC position may have on similar ad claims in the future.

A spokesman at NCI said the prestigious branch of the National Institutes of Health was "very happy" with Ms. Crawford's comments.

"This should be welcome to other responsible marketers who are looking to take a similar approach," said Paul Nevel, associate director for communications.

At the Center for Science in the Public Interest, a citizen group that had praised the Kellogg

(Continued on Page 42)

Holiday thirst

California Cooler tries to shake off the summer-beverage tag with holiday trade ads. Chiat/Day, San Francisco, handles.

Shops vie for Labatt account

Getting the Blues

By TONY THOMPSON

TORONTO—J. Walter Thompson, which last month gained the $60 million Miller High Life account in the U.S., may find it has lost a $15 million beer account in Canada.

That's the size of Labatt Brewing Co.'s Blue account—Canada's No. 1 brew—now with JWT. A decision is expected this month.

Five major U.S. agencies—including JWT—are contending. But JWT's Miller account gain in the U.S., from Backer & Spielvogel,

(Continued on Page 42)

Presstime

Shulton sues over English Leather ads

NEW YORK—American Cyanamid Co.'s Shulton USA division has filed suit in federal district court against MEM Co. and its agency, MacNamara, Clapp & Klein. Shulton seeks unspecified damages and corrective advertising over MEM's English Leather Spiced men's fragrance. Ads now take direct aim at Shulton's Old Spice with copy such as "If you like Old Spice, you'll like English Leather Spiced even more."

Ponderosa cites expansion in account move

DAYTON, O.—Ponderosa confirms that it will move its estimated $15 million account from Avrett, Free & Ginsberg, New York (AA, Nov. 29). An executive with the 650-unit steak house chain said "aggressive expansion plans" necessitate tapping a larger agency with offices nationwide. Finalists were not disclosed. A decision is expected next month. Ponderosa earlier had moved responsibility for its Casa Lupita Mexican chain from AF&G to Geer, DuBois, New York (AA, Oct. 1).

Trump Plaza casino may shuffle agencies

ATLANTIC CITY, N.J.—The Trump Plaza casino, which opened last May as Harrah's at Trump Plaza, is reviewing its $5.5 million account. Incumbent agency Trout & Ries, New York, is participating in the review. Trump

(Continued on Page 43)

Coming Monday: Annenberg

Walter Annenberg, magazine publisher of the year, talks about his TV Guide and other matters.

NEWSPAPER

Ups and downs

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SPI ACQUISITIONS
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WASHINGTON DC 20014

CBS game plan skirts 'risky' Olympics bid

By ROBERT RAISSMAN

NEW YORK—CBS will bid as agressively for the 1988 Summer Olympics as sound business judgment dictates, says Neal Pilson, the network's top sports executive.

But according to CBS Sports commentator Brent Musburger, CBS Inc. chairman Thomas Wyman says it's "not likely" CBS will win the rights to the Summer Games in Seoul, South Korea.

At a press conference this week announcing the extension of his CBS contract through 1990, Mr. Musburger spoke of a conversation with Mr. Wyman.

At the time, CBS was making Mr. Musburger a counter-offer to a reportedly very lucrative deal from ABC. Mr. Musburger, who was in the final months of a CBS contract that paid him more than $500,000 a year, said his decision to leave or stay with CBS would depend on what assignments he would have.

One plum Mr. Musburger coveted was to anchor an '88 Olympics broadcast.

"Mr. Wyman said he was not going to mislead me," Mr. Musburger said. "He said it was 'not likely' that CBS would wind up with the Seoul Olympics."

In the end, Mr. Musburger's decision rested on something other than the Olympics assignment, namely becoming CBS' headliner on all major sporting events.

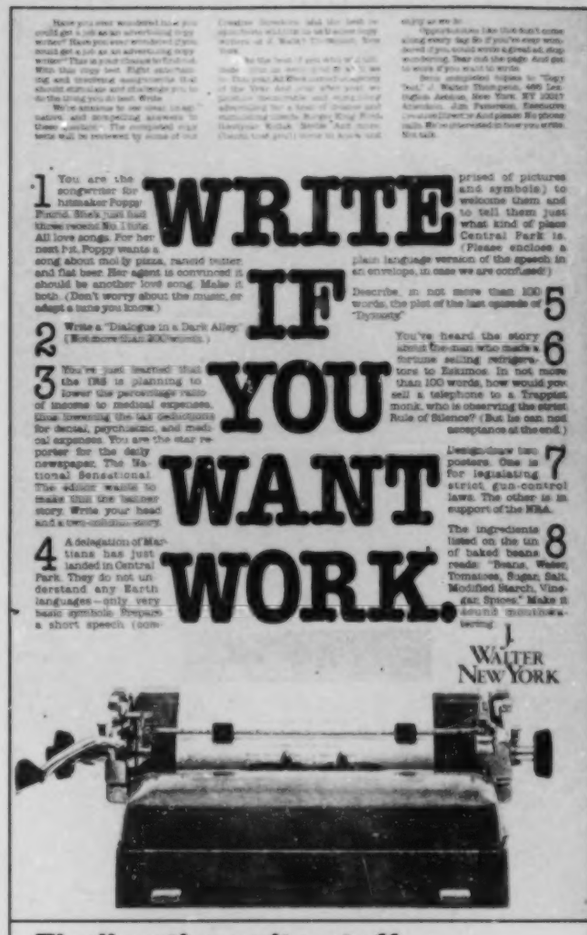
CBS also offered lots of money. Although official details on Mr. Musburger's new salary were not revealed, sources estimate the sportscaster may have more than doubled his current income as he masterfully played off ABC against CBS.

But the shocker revelation was that CBS' Mr. Wyman is apparently convinced that ABC, which holds the $309 million rights to the 1988 Winter Olympics in Calgary, Alta., is prepared to go beyond the $400 million ceiling most network sources put on the Seoul games (AA, Oct. 8).

Whether CBS gets the Olympics still depends on the "level" of bidding, said Mr. Pilson, exec vp, CBS/-Broadcast Group.

"As we have demonstrated in the past, we are not going to submit a financially unsound, risky bid," he said. "But we are going to be very competitive at what we consider to be sound financial levels for the event."

Rights could go as high as $700 million, Barry Frank said. Mr. Frank is group vp at Trans World International, a unit of International Management Group and the company that the International Olympic Organizing Committee has appointed to sell U.S. tv rights.#



Finding the write stuff

If you can describe, in fewer than 100 words, the plot of the last episode of "Dynasty," you may be on your way to becoming a copywriter at J. Walter Thompson USA, New York. The challenge is part of JWT's unusual recruitment ad in the *New York Times* (AA, Dec. 3).

NAB sends liquor psas by satellite

WASHINGTON—The National Assn. of Broadcasters for the first time is using a satellite feed to nearly 700 tv stations to transmit 25 public service announcements that caution against drinking and driving.

Broadcasters are stepping up their good citizen role in at least partial reaction to the grass roots public campaign against drunk driving. That campaign has raised industry fears of a public backlash against beer and wine advertising on tv.

NAB collected the psas from the Ad Council, American College of Emergency Physicians, Mothers Against Drunk Driving, National Institute of Drug Abuse and others. Most had aired previously. By using a satellite feed to all major markets and the tv networks, NAB hopes to reach stations that wouldn't normally get the material.

There's no conflict between the association's fight against drunken driving and increased tv advertising for beer and wine during the holidays, contended Andy Ockershausen, vp at Washington's WMAL and chairman of the NAB task force that put together the psa feed.#

Thompson weighs in ads for diet aids

By LISA PHILLIPS

NEW YORK—Thompson Medical Co. has declared February "National weight-loss month" to push its top-selling Dexatrim and Slim-Fast diet aids—possibly for those who end up fudging their New Year's resolutions to lose weight.

National tv and print ads will support in-store displays and 90 million consumer coupons and rebate offers. Saatchi & Saatchi Compton, New York, handles both lines.

The special-event promotion is a new tack for Thompson, said pr director Dean Siegal. "We've just started getting into it, and we find we're good at it," he said.

This is the first time both No. 1-selling brands have been positioned together, he said, adding that each appeals to a separate market—one as an appetite suppressant, the other as a meal replacement—with very little consumer crossover.

Thompson plans a $30 million ad budget next year for all its diet aids, which include Prolamine capsules, Appedrine tablets, Control capsules and Aqua-Ban tablets, handled by Marschalk Co., New York.

Dexatrim appetite suppressant capsules, with line extensions into extra-strength and caffeine-free extra-strength capsules, receives the largest ad spending from Thompson, totaling nearly $9 million during the first six months of this year. In 1983, spending reached $19.5 million.

Slim-Fast meal replacement is being revitalized, with ad spending going from $4.5 million for all of 1983 to $7 million for the first six months of 1984.

Ad spending had plummeted earlier during the '80s, following the roller-coaster effect of the liquid protein supplement craze of the late '70s.

But following the success of the Cambridge Diet, a meal replacement chiefly sold door-to-door for about $18 a can, Thompson decided to resurrect Slim-Fast, which sells for $8-to-$9 a can.#

Dataproducts now wants name in print

By CLEVELAND HORTON

Dataproducts Corp., which claims to be the largest independent manufacturer of computer printers in the world, plans to shift its emphasis from manufacturing for other companies to marketing printers carrying its own name.

To assist in the new retail push, Dataproducts recently named Ammirati & Puris, New York, to handle what the company says will be at least a $12 million account. Former agency is John Corey Advertising, Woodland Hills, Cal. New creative work is due in January.

Founded in 1966, the Woodland Hills-based company gained prominence as an original-equipment manufacturer of high-speed computer printers, selling its products to IBM Corp., Wang Laboratories and other computer marketers that, in turn, marketed the machines under their own names.

Four years ago, Dataproducts began selling its printers under the Dataproducts name. However, the effort was "half-hearted," according to a company spokesman. Only 10% of the company's $400 million

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Waiter, fly with my soup

By LISA PHILLIPS

Campbell Soup Co. expects to remain front-runner in the condensed-soup market with the help of a new spokesman—the former "world's fastest waiter."

Roger Bourban, now a restaurateur and chef in his native Switzerland, will be featured in commercials for Campbell's condensed red-and-white label soups next year. He qualified in 1981, 1982 and 1983 for the "Guinness Book of World Records" by running 26 miles while balancing a tray and an open bottle of mineral water without spilling a drop.

Pierce Pelouze, Campbell's promotions director, explained that in Mr. Bourban the company found a spokesman "emphasizing our concern for product excellence and our concurrent thrust into the area of over-all consumer well-being." Backer & Spielvogel, New York, handles the red-and-white line.

Campbell, Camden, N.J., also will sponsor a series of 26 "Sports Capsules," written in Spanish and profiling famous Hispanic sports figures from all over the world. Five-minute segments will air twice a week on the 120 tv stations of the Spanish International Network.

On Christmas Eve, Campbell will begin promoting the "Campbell Family Movie" package, a special lineup of children's movies to air on daytime tv throughout the holiday season in 32 major U.S. markets. Promos will run on participating tv stations, in local newspapers and *TV Guide*.

Campbell is the exclusive sponsor of "CFM" and will promote red-and-white label soups, Franco-American pasta products and JuiceWorks beverages.#

Community channels cause controversy

By Don Veraska

When cable tv arrived on the national scene some years ago, it promised to be more than just another commercial tv system.

Cable, as an industry, promised excellent service, the latest in technical quality and programing reflecting the needs and desires of the communities that granted cable companies local franchises.

Today, cable tv is providing some of what it promised, but local programing is far from a national success story. Programing varies from very simple "home movie" type shows to highly sophisticated programs that proponents say are as good as or better than anything on public tv.

Shows include local newscasts, sports specials, previews of city council meetings and an eighth-grade academic tournament.

In some places, local programing adds to cable's value as a marketing tool, and in others, it is just another expense.

"But we are seeing more and more places where it is working, a lot more success stories," says Sue Buske, executive director of the National Federation of Local Cable Programers in Washington, a cable activist group.

Local programing falls into two categories: Local access and local origination.

Local access is defined as programing produced and controlled by groups or individuals within the community and includes shows of local governmental and educational organizations, such as school board and city council meetings.

Local origination is programing produced and controlled by the cable system, although local groups and organizations may be involved in production.

Public access channels generally carry no ads, but local origination channels seek ads. The boundaries between the two, however, often are blurred and what one cable system calls local or public access, another calls local origination.

Almost everyone agrees that local origination and public access are akin to motherhood and apple pie. Everyone says they believe that locally produced cable tv programs are a potentially valuable asset.

But there isn't agreement between cable tv consumer groups and operator groups on whether too much is demanded and expected of local cable programers.

"We believe strongly in access," says Ed Dooley, vp-public affairs, National Cable Television Assn., an operator and supplier group. "They [the National Federation of Local Cable Programs] believe in access, access, access."

The NCTA, founded in 1952, represents more than 2,100 cable systems, equipment manufacturers and distributors.

The NFLCP, with an annual budget of $300,000, is an eight-year-old organization founded to foster citizen participation in community programing.

Both organizations strongly support local cable programing, and both have annual awards for local programing.

"Local origination and access is good if it can deliver what the subscribers want," Mr. Dooley says. "But it can be an intolerable burden to tie up 15 or 20 channels that could be used for other programing."

Mr. Dooley cites examples, such as Dallas, where the city government required 17 channels be set aside for local programing, a requirement that later was eased.

NFCLP's Ms. Buske, however, says the problem is not generally the requirements for local programing channels, but the failure of cable companies to provide not only sufficient equipment and money for local programing, but also the expertise to help the public produce quality programing.

"The channel is doomed if the cable company hires a 'producer' rather than a community facilitator—a person who knows how to make it work," Ms. Buske says.

However, Mr. Dooley says the success of an access station isn't entirely dependent upon the station's commitment, but it requires a degree of local activism, "some spirit, some driving community force, like a university campus," for instance.

The history of local origination and public access programing on cable is not well documented, according to both the NCTA and the NFLCP. Neither is sure when the first such stations went on the air.

In the early 1950s, some cable systems were set up to pull in distant commercial station signals. Some of these stations decided it might be good business to put the mayor on one of those channels or broadcast a community bulletin board.

Public access and local origination channels began full-scale operation in the 1960s, and by 1972 the Federal Communications Commission required that cable franchises in the top 100 markets provide at least three access channels—for the public, government and education.

It also required that cable systems with more than 3,500 subscribers provide some channel capacity for public access or local origination programing.

The U.S. Supreme Court overturned this regulation in 1979, holding that the FCC did not have authority to issue it. But by that time, cable systems were proliferating to such an extent that potential cable companies competed for local franchises with promises of access channels, equipment, tv studios and mobile vans.

Today, both organizations estimate that of the nation's about 6,500 systems, between 800 and 1,000 have one or more access or local origination channels.

Although a 1979 Supreme Court decision gave jurisdiction over cable systems to local governing bodies, federal statutes gave this authority in the cable tv deregulation act just this year. This act, which takes effect Dec. 29, gives those governing bodies the right to require new cable franchises to provide access channels.

Another section of the deregulation act allows the governing body to permit the cable company to put other programing on public access stations that are not being used for that purpose.

The law specifies, however, that there must be a provision for reclaiming that time should public groups request it.

The alternative programing provision of the act was endorsed by the NCTA and was not opposed by the NFLCP.

"If 3,000, 4,000 or 5,000 hours a year are lying fallow in an unused access station, it is a tremendous loss to the community," NCTA's Mr. Dooley says.

However, if channels designated for access are not used, subscribers could lose interest in both the stations and the cable company.

Ms. Buske says her organization's primary responsibility is to ensure the continued availability of access channels.

"We think it is appropriate for the city to set up procedures for these channels' alternate use," she says. "But we don't want to see any of these channels lost or taken away without procedures for their being reclaimed."

Ellis Woodward, an aide to Rep. Timothy Wirth (D., Colo.), chairman of the subcommittee on telecommunications and finance of the House energy and commerce committee, says the primary congressional concern on access is availability.

"We're not in the business of programing. We want to ensure that access is available. That's our main concern," he says.

Mr. Woodward says the quality of access channels varies considerably from municipality to municipality. "In Reston [Va.], where I live, access is very popular. More and more groups are getting into it."

Availability and diversity are also the major concerns of Rep. Wirth, Mr. Woodward says. "He sees it from the standpoint that when there are that many channels available, you don't want one person as the editor of all of them. You want diversity."

Both Mr. Dooley and Ms. Buske see successful access channels as meeting that standard as well as providing a positive marketing tool for cable companies.

Ms. Buske agrees. "Public access is beginning to catch on. People are seeing the benefits. There are audience surveys that show local programing channels in some markets have higher ratings than the local public broadcasting station," she says.

Both Ms. Buske and Mr. Dooley warn that it is difficult, if not impossible, to determine ratings of individual cable programs in a multichannel environment.

"You're making a mistake if you judge access by ratings," Mr. Dooley says.

"It's an opportunity for citizens to put on something good. You measure success by quality of the programing."

However, the future of local access is uncertain unless it receives additional commitment from cable companies and the franchising municipal bodies, Ms. Buske says.

Mr. Dooley agrees, but says cable operators have their limits. "We support and believe in access and local origination programing. But there ought to be some sort of pragmatism involved in how much cost is borne by the community," he says. "If a cable company makes its best effort and it doesn't seem to generate interest, I think we can assume they are getting some message from the consumer."

Don Veraska is a Washington-based free lance writer.

Watching tv at home

(Total weekly minutes viewed per home)

	First half 1984		First half 1983		Per cent change
	Minutes	Share	Minutes	Share	
Cable origin	431	13	323	10	+33.4
Superstations	288	9	254	8	+13.4
Pay service	362	11	355	11	+2.0
Affiliates	1971	58	1962	60	+0.5

Source: A.C. Nielsen

Cable deregulation

(Continued from Page 9)

that a cable network is pulling such and such a share, and Madison Avenue buys in proportion to the subscriber base."

Mr. Rosenberg says there are too many questions about the ramifications of some of the act's provisions to say how it will affect cable advertising.

"Cable TV Advertising," an industry newsletter published by Paul Kagan Associates, predicts substantial ad growth for cable, but not because of deregulation. The newsletter estimates that 1984 cable ad revenues of $462 million will exceed $1.1 billion by 1986, $2 billion by 1989, $3 billion by 1991, and reach almost $4.6 billion by 1993.

Larry Gerbrandt, associate editor of the newsletter, says the cable deregulation act does not appear to change those projections.

Cable advertising, he says, is tied to three factors: Subscriber growth, ratings growth and cost per thousand subscribers. Of those three factors, the legislation potentially will affect only the first.

The NCTA's Mr. Dooley says provisions of the legislation, which limits the franchise demands local governments can put on cable systems, help speed the expansion of cable service to major markets not yet wired, including some parts of New York, Chicago, Philadelphia, Detroit, Cleveland, St. Louis, Baltimore and Washington.

When these systems are complete, Mr. Dooley says advertising will be attracted through greater penetration of networks such as Entertainment & Sports Programming Network, Cable News Network, USA Cable Network and MTV: Music Television.

Wiring these cities for cable will increase the subscriber base, estimated this summer at between 30.7 million and 36.1 million homes.

But all large metropolitan markets may not be wired, according to some in the industry. A spokesman for American Television & Communications

Local ads hit the spot for operators

By Sharon Donavon

Large multiple cable system operators and networks care about selling local spot time, but desire isn't always enough, executives say.

"It reminds me of trying to sell fm radio in the old days when you just couldn't give it away in New York City," says Allan Eisenberg, corporate manager-ad sales at American Television & Communications. Like cable tv today, fm radio then was too new and too small to attract advertisers.

But all that changed very quickly when U.S. auto makers began equipping cars with fm radios. Similarly, he says, "As cable penetration grows and the broadcast networks' audiences continue to erode, advertising on cable will increase dramatically."

Looking for new revenue sources to offset increasing development costs, most major cable operators agree that local advertising is in the embryonic stages of becoming an important focal point of cable marketing.

"Local advertising is an extremely exciting subject for local system operators," says Robert Alter, president of the Cabletelevision Advertising Bureau. "They see it as one of the best immediate sources for revenue income and potential growth. Every major system is now gearing up for local ad activity."

This was not always the case. Years ago, Mr. Alter says, cable companies were banking on pay services to generate revenues. As the emphasis shifted to marketing improved basic programing and as audiences increased, cable created a market for local advertising.

"At Cox Cable, local ad sales have so far proved to be the most effective and efficient way to generate revenue," says Arthur A. Dwyer, senior vp. After launching local ad sales programs three years ago, the sales in 1984 will hit $10 million, representing about 2% of Cox's annual revenue and about 5% of its annual operating income with the remainder generated by subscriber fees.

At Group W Cable, Thomas McKinney, vp-ad sales, foresees local ad sales representing frosting on the cake.

"Currently," he says, "ad sales in 60 of the company's 135 systems are generating about 4% of the company's revenues." He expects that figure to double by next year.

At Tele-Communications Inc., Scott Weeker, director-marketing, says local ad sales have the potential of generating an additional $10 in net profit for each subscriber.

While many cable companies have made major strides to equip systems for local ads, some are just on the brink of moving in that direction.

For example, TCI, which ranks No. 1 with 3.5 million subscribers nationally, according to the CAB, is entrenched in developing routes to capture local ad sales markets.

Mr. Weeker says his cable company, which owns, operates or is affiliated with more than 700 systems nationwide, has only 12 systems with local ad sales. Until this year, gaining ground in this arena was not a priority, he says.

Company officials are studying a number of routes, including a system that would be able to insert an ad into all 700 systems from the company's Denver headquarters. After 1½ years of study, that project is still in the research and development stages, he says.

"The heavy costs of such a program would necessitate a heavy subscriber base to make it pay out," Mr. Weeker says, adding that most of TCI's systems are in small markets—between 5,000 and 8,000 subscribers.

As interest in local advertising increases, Mr. Weeker says his company is considering more immediate ways to tap into the local ad revenue stream. The company's 10 groups operate independently, but they recently were given the green light to consider contracts with outside companies that handle systems' local ad sales.

Also, TCI systems in San Francisco and Philadelphia agreed recently to an arrangement by which interconnects will handle ad sales.

"From these steps, we'll see where it goes. The reality is that the business is out there," Mr. Weeker says, "but we are waiting for the business to develop further before we take further steps with our own national insertion capability."

For many cable companies, next year appears to be the pivotal year in which to make strides in local cable sales.

"Early on, there was a lot of money put into ad sales and there was a negative return. Previously, we had to concentrate on keeping the signal on rather than marketing," Mr. Weeker says. "But it's time to get smart about ad sales. Basically we are at the takeoff stage and we expect to make a greater leap toward that revenue stream."

Warner Amex Cable Communications has enjoyed a surge in local ad sales. In 1982, its first year of local ad sales, Warner Amex reported $3 million in ad sales from five systems. That total is expected to reach $8 million in 1984 from 13 systems. The 140-system company is attacking the prospects on three fronts with a number of experimental arrangements, says Larry Zipin, director-ad sales.

Eight of its systems—with subscribers ranging from 500,000 to 800,000—are outfitted with ad sales departments. And in its Tidewater, Va.-system, Warner Amex is involved in an interconnect joint venture that includes Cox Cable Communications and Newport News Cable, targeting a total subscriber base of 100,000.

In 15 other markets, Warner is subcontracting local ad sales to advertising rep companies.

For ATC, local ad sales "represents one of our biggest pushes," Mr. Eisenberg says. While only 20 of ATC's 125 systems are selling local advertising, that represents nearly half of the cable company's 1.3 million subscribers, he says. Within the next two to three years, he says, the company expects to have all its cable systems with commercial insertion capability.

Many cable companies have concentrated their local ad sales efforts in large markets. At Cox, for example, the 20 systems capable of generating video advertising income represent less than half of Cox's 54 systems, but about 70% of the operator's 1.5 subscribers.

While most of ATC's ad sales projects have been targeted at major markets, the company is experimenting with local ad sales in smaller markets.

One of the company's most successful test markets has been Birmingham, Ala., where ad sales have jumped 125% in the two years local ads have been offered.

"That city was not considered the best market. It had a poor economy and high unemployment. We figure that if it worked there, it would work anywhere," Mr. Eisenberg says.

Despite the potential for ad sales in medium markets, few cable operators believe that ad sales will materialize in small markets and, consequently, few operators expect to see all of their systems develop local ad sales capability. By the end of the 1984, CAB officials expect half of the cable subscribers in the nation will be in systems where local advertising is available, up from about 40% in 1983 and about 10% in 1982.

According to Mr. Alter, penetration of local ad capabilities is unlikely to reach 100%. He says outfitting and staffing smaller systems to enable them to offer local ads probably will be too expensive; however, he predicts that within two to three years, 70% to 80% of the cable subscribers will be in systems featuring some ad capability.

Mr. McKinney predicts Group W will peak in the next two years with 75% of its systems having local ad sales potential.

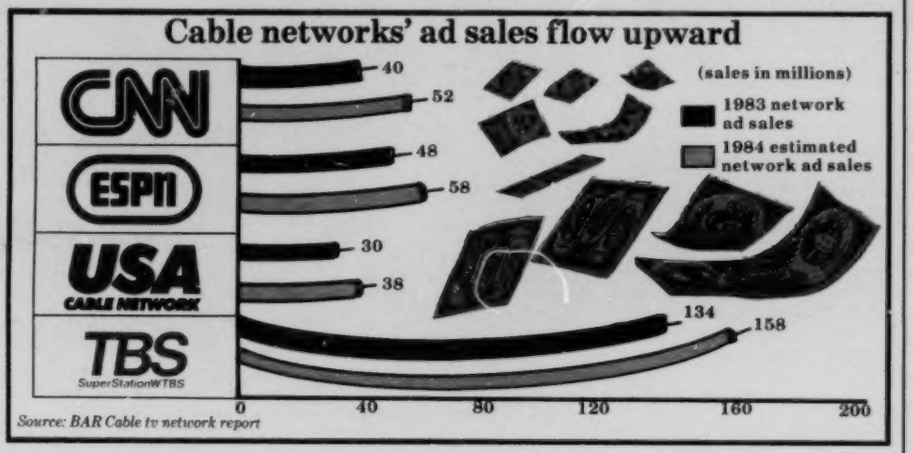
At ATC, Mr. Eisenberg predicts that 1985 will be a breakthrough year for national spot advertising prospects. "Up until now, that market has been very soft. Cable networks charge such low rates and have made advertisers think they don't need to buy spot ads. But as the network rates increase, the national spot market will open up," he says.

Although local ad sales have been a pleasant surprise for some, "national advertising is not growing as fast as we would like it," Mr. Dwyer says.

According to Group W's Mr. McKinney, "National has simply not grabbed hold yet. The major markets are just not wired for it and ad agencies complain that it's a difficult buy until interconnects become commonplace."

Educating the ad community about the benefits of cable marketing has been tough, cable operators say. "Teaching the ad community what a cable ad is all about and finding a niche in the market has been time-consuming," Mr. McKinney says. "It took all of us time to learn how to package it and use it."

It's been a gradual process, Warner Amex's Mr. Zipin says. "In the minds of buyers, there was some question of perception of cable. Until recently, local agencies and advertisers didn't feel the impact of cable strongly enough to consider it," he says. "But for the future, rather than perceive cable advertising as taking away a line from their budgets, they must see it as a right medium with a page all its own."



Source: BAR Cable tv network report

Sharon Donavon is Advertising Age's New Orleans correspondent and a frequent contributor to cable tv publications.

Corp., the Time Inc. subsidiary and the nation's second largest multiple system operator, argues that restrictive franchising requirements—limited under the act—are only one factor in a company's decision to seek a franchise in a major market.

The legislation authorizes franchising authorities to charge up to a 5% annual franchise fee from the cable operator, based on gross revenues. For some cable companies, this means increased fees. The Federal Communications Commission now sets a maximum of 3%, but allows up to 5% if the franchising body shows good cause for a higher rate.

For others, the new rule means an end to franchising surcharges, which some municipalities have imposed in addition to franchise fees.

Based on this rule, "I don't see any great rush into the major markets. Five per cent of gross is 40% of the net of a healthy cable system," the spokesman says.

However, the ATC spokesman says the cable deregulation legislation will help advertising in at least one important way.

Cable advertising, he says, is most profitable when commonly owned cable systems are clustered in contiguous markets, allowing advertisers to reach subscribers most economically.

The law's refranchising provisions will reduce that problem, he says. "The clustering concept makes cable a more viable advertising medium for a market."

Even if cable companies do penetrate the remaining large urban markets, Paul Schonewolf, vp-marketing for General Electric Cable, Schenectady, N.Y., says cable service to big new markets will not necessarily increase advertising.

"What cable offers is not numbers. Commercial television is always going to have the numbers. Cable offers the demographics—MTV to reach the teen for example."

But Mr. Schonewolf does say that with the deregulation of basic cable rates, many cable systems that now charge for the four major ad-supported services (ESPN, CNN, USA Cable and MTV) will include them in basic service.

This will increase the numbers of subscribers, which will attract more ads, he says.